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NOTES FOR AN
ADDRESS BY THE HON. MICHAEL H. WILSON
MINISTER OF STATE FOR INTERNATIONAL TRADE
TO THE
NIAGARA INSTITUTE CONFERENCE

WEDNESDAY, DECEMBER 12, 1979.
ATLANTA, U.S.A.

CHECK AGAINST DELIVERY



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I HAVE BEEN ASKED TO SPEAK TO YOU TODAY ON "CANADA'S
TRADE PERSPECTIVES". I WOULD LIKE TO ADDRESS THAT TOPIC
IN TERMS OF CANADIAN/AMERICAN INTERDEPENDENCE AND COOPERATION.

I KNOW THAT MOST OF YOU ARE FAMILIAR WITH THE EXTENT OF
OUR INTERDEPENDENCE. MANY OF YOU DERIVE COMMERCIAL BENEFIT
FROM THAT INTERDEPENDENCE. AND INTERDEPENDENCE SEEMS TO BE
GROWING WITH THE GROWING PROSPERITY OF THE SEVEN STATES COM-
PRISING THE TERRITORY OF OUR ATLANTA OFFICE, AND THE PARTIC-
ULAR GROWTH OF THIS CITY AS A DISTRIBUTION AND COMMUNICATION
CENTRE FOR THE REGION.

FOR EXAMPLE, IN 1978 THE REGION ABSORBED SOME CANADIAN
\$1.6 BILLION OF CANADIAN GOODS. AT THE SAME TIME CANADA
IMPORTED SOME \$2.1 BILLION FROM THE REGION. YOU THEREFORE
ENJOYED IN 1978 A SURPLUS IN OUR TWO-WAY TRADE OF \$486 MILLION.

ACCORDING TO A 1975 REPORT SOME 37,000 JOBS IN THE REGION WERE DIRECTLY DEPENDENT ON EXPORT TO CANADA. THESE REPRESENTED PAYROLLS OF NEARLY A QUARTER OF A BILLION U.S. DOLLARS. BOTH FIGURES HAVE UNDOUBTEDLY INCREASED SIGNIFICANTLY SINCE THEN. AND I WOULD EMPHASIZE THAT THESE FIGURES ARE BASED ONLY ON PRODUCTION IN INDUSTRIAL SECTORS. THEY DO NOT INCLUDE THE MAJOR CONTRIBUTION MADE TO THE ECONOMY OF THE REGION BY CANADIAN TOURISTS.

I MIGHT ALSO MENTION CANADIAN NON-REAL ESTATE INVESTMENT IN THE REGION NOW EXCEEDS HALF A BILLION DOLLARS. REAL ESTATE INVESTMENT IS GROWING A PACE. AND IN RECOGNITION OF THE IMPORTANCE OF ATLANTA AS A FINANCIAL CENTRE THREE CANADIAN BANKS HAVE NOW ESTABLISHED OFFICES IN THE CITY.

YOU ARE ALL EQUALLY FAMILIAR WITH THE MORE GENERAL BASIS OF OUR COOPERATION. YOU RECOGNIZE, AS WE DO, THAT OUR GEOGRAPHY HAS IMPOSED ON US A REQUIREMENT TO COOPERATE. THE SAME WEATHER

SYSTEMS DICTATE OUR CLIMATES. WE SHARE MANY OF THE SAME ASPIRATIONS AND SOCIAL VALUES. WE HAVE TO A LARGE EXTENT A COMMON HERITAGE. WHILE OUR POLITICAL STRUCTURES AND JURISPRUDENCE HAVE EVOLVED DIFFERENTLY, THEY ARE ROOTED IN COMMON IDEALS. SIMILARLY, IN THE ECONOMIC SPHERE, MANY OF THE ECONOMIC PROBLEMS IN THE UNITED STATES ARE REPRODUCED IN CANADA.

THE CHALLENGES OF THE 1980s IN TERMS OF THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, ENERGY CONSERVATION, ENVIRONMENTAL PROTECTION ARE COMMON TO BOTH COUNTRIES. OTTAWA, LIKE WASHINGTON, WILL CONTINUE TO BE PREOCCUPIED WITH THE PROBLEM OF INFLATION AND THE NEED TO AVOID AN UNACCEPTABLE LEVEL OF UNEMPLOYMENT.

SUCCESS OF THE UNITED STATES IN DEALING WITH THESE PROBLEMS WILL HAVE AN IMPORTANT BEARING ON WHETHER CANADA WILL SUCCEED, BECAUSE THE INFLUENCE OF THE UNITED STATES ON CANADA'S ECONOMIC HEALTH IS MASSIVE AND DIRECT. TWENTY-TWO PERCENT OF OUR GNP IS GENERATED THROUGH EXPORTS. SEVENTY PERCENT OF OUR EXPORTS ARE DIRECTED TO THE UNITED STATES. U.S. DIRECT PRIVATE INVESTMENT IN CANADA NOW EXCEEDS \$35 BILLION. CANADIAN INSTITUTIONS,

PARTICULARLY GOVERNMENTS, DRAW HEAVILY ON THE U.S. CAPITAL MARKET. U.S. TECHNOLOGY MAKES A VITAL CONTRIBUTION TO CANADIAN ECONOMIC DEVELOPMENT.

RECOGNITION OF THE DEGREE OF INTEGRATION OF OUR TWO ECONOMIES DOES NOT, HOWEVER, ABSOLVE THE CANADIAN GOVERNMENT FROM THE NEED TO DEVISE AND IMPLEMENT POLICIES DESIGNED TO CORRECT SOME STRUCTURAL DEFICIENCIES IN THE CANADIAN ECONOMY AND TO ENSURE ITS DEVELOPMENT IN A MANNER ACCEPTABLE TO CANADIANS.

AND IN THE SHORT-TERM THE CANADIAN ECONOMY HAS SOME DIFFICULT CHALLENGES FACING IT, AS DOES YOURS. I HAVE MENTIONED OUR COMMON PROBLEMS IN BOTH INFLATION AND UNEMPLOYMENT. OF PARTICULAR CONCERN TO THE CANADIAN GOVERNMENT, HOWEVER, ARE BALANCE OF PAYMENTS ISSUES WHICH ARE NOW CONFRONTING US.

ACCORDING TO A RECENT ESTIMATE, CANADA'S CURRENT ACCOUNT DEFICIT WILL REACH \$6.1 BILLION THIS YEAR AND ON PRESENT TRENDS WILL GROW IN 1980 AND BEYOND. WITH AN ECONOMY LESS THAN ONE TENTH THE SIZE OF YOURS, WE ARE LOOKING AT A DEFICIT ABOUT ONE HALF THAT

OF THE UNITED STATES. MUCH OF CANADA'S CURRENT DEFICIT REFLECTS THE STRUCTURE OF THE CANADIAN ECONOMY. IN 1978 THE NET DEFICIT ON DIVIDENDS AND INTEREST ON PAST FOREIGN INVESTMENTS AND LENDING WAS \$4.4 BILLION (\$3.5 BILLION WITH THE UNITED STATES). OTHER "INVISIBLE" COMPONENTS SHOW A CHRONIC DEFICIT (\$2 BILLION IN 1978). THIS LEAVES US WITH THE TOURISM AND TRADE ACCOUNTS AS AREAS IN WHICH WE CAN TRY TO REDUCE OUR CURRENT ACCOUNT DEFICIT.

HERE THE IMPLICATIONS OF OUR RELATIONSHIP WITH THE UNITED STATES BECOME OBVIOUS. OUR ANTICIPATED MERCHANDISE SURPLUS IN 1979 WILL BE \$1.3 BILLION, DOWN FROM A \$3.4 BILLION SURPLUS IN 1973. HOWEVER, OUR \$2.3 BILLION 1978 SURPLUS ON MERCHANDISE ACCOUNT WITH THE U.S. HAS TURNED INTO A DEFICIT IN 1979.

IN TOURISM ACCOUNT WE HAVE BEEN CONSISTENTLY IN DEFICIT WITH THE U.S., REACHING A LEVEL OF \$903 MILLION IN 1978

WITH THE EXPECTATION THAT THE DEFICIT WILL REMAIN AT THE SAME LEVEL IN 1979. IN THESE CIRCUMSTANCES, YOU WILL APPRECIATE THAT CANADIANS BECOME PARTICULARLY SENSITIVE TO CONSTRAINTS ON OUR ABILITY TO RESOLVE OUR BALANCE OF PAYMENTS PROBLEMS, PARTICULARLY IF SUCH CONSTRAINTS ARE PERCEIVED AS RESULTING FROM U.S. ACTIONS OR INACTIONS.

OVERALL OUR RELATIONS WITH THE U.S. ARE EXCELLENT. IT IS QUITE REMARKABLE THAT, GIVEN THE CLOSENESS OF OUR RELATIONSHIP, BILATERAL IRRITANTS ARE FEW AS THEY ARE. SOME EXIST, HOWEVER. WHILE I WOULD NOT WANT TO OVER-EMPHASIZE THEM, I WOULD BE REMISS IF I DID NOT MENTION SOME. AND I DO SO WITH CONFIDENCE AND OPEN-NESS SINCE IN THE PAST YOUR COUNTRY HAS SHOWN SENSITIVITY TO OUR POINT OF VIEW AND HAS MOVED QUICKLY TO RESPOND.

THE MORE IMPORTANT CURRENT PROBLEMS INCLUDE:

- U.S. IMPORT QUOTA RESTRICTIONS ON SPECIALTY STEELS. THESE WERE DIRECTED AGAINST DISRUPTIVE SALES FROM THIRD-COUNTRY SUPPLIERS BUT HAVE HAD A PARTICULARLY SEVERE IMPACT ON CANADIAN MANUFACTURERS.

- THE 1976 CHANGE IN U.S. TAX LAWS RESTRICTING TAX DEDUCTIBILITY OF FOREIGN CONVENTION EXPENSES. THE CANADIAN TOURIST INDUSTRY HAS CALCULATED THAT RESULTING REVENUE LOSS ON HOTEL BOOKINGS HAS BEEN SOME \$100 MILLION A YEAR.
- "WORLD PRODUCT MANDATING" FOR CANADIAN SUBSIDIARIES OF U.S. MULTI-NATIONAL CORPORATIONS. CANADIAN SURVEYS INDICATE THAT NEARLY 60% OF U.S.-OWNED SUBSIDIARIES HAVE RESTRICTIONS ON EXPORT FREEDOM.
- "BUY AMERICA" PROVISIONS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1978. THESE PROVISIONS, AND IMPLEMENTING REGULATIONS, SEVERELY RESTRICT THE SALES OF CANADIAN-MANUFACTURED PRODUCTS IN FEDERALLY-FINANCED MASS-TRANSIT PROJECTS.
- CANADA/U.S. AUTOMOTIVE AGREEMENT. CANADA WILL BE FACING THIS YEAR A NET DEFICIT OF \$2.5 BILLION IN CANADA/U.S. AUTOMOTIVE TRADE.

HOWEVER, I DID NOT COME HERE TO BE PROVOCATIVE. I DO NOT WANT TO STRESS IRRITANTS. WHAT I WANT TO STRESS IS THE UPSIDE: HOW WE PROMOTE PARTNERSHIP, HOW YOU CAN DERIVE BENEFIT FROM THE LONGER-TERM POTENTIAL OF THE CANADIAN ECONOMY, AND HOW WE CAN PROMOTE AND EXPAND UPON THE STRONG TRADE FLOWS THAT ALREADY EXIST.

AND I WOULD LIKE TO CAST THIS PARTICULARLY AGAINST THE RESULTS OF THE MULTILATERAL TRADE NEGOTIATIONS CONCLUDED THIS YEAR. AS I AM SURE YOU KNOW, BY THE TIME THE TARIFF CUTS ARE IN EFFECT SOME 80% OF CANADIAN EXPORTS WILL ENTER THE U.S. DUTY-FREE AND A FURTHER 15% AT RATES OF 5% OR LESS. FOR U.S. EXPORTS TO CANADA 60% WILL BE DUTY-FREE AND A FURTHER 15% AT RATES OF 5% OR LESS. THUS, IN TARIFF TERMS, A SUBSTANTIAL DEGREE OF FREE TRADE WILL EXIST BETWEEN OUR TWO MARKETS.

IN THE LONGER TERM, THE POTENTIAL OF THE CANADIAN ECONOMY TO TAKE ADVANTAGE OF THIS SITUATION IS CONSIDERABLE.

ONE OF CANADA'S MAIN ASSETS IS ITS RICH AND VARIED ENDOWMENT OF NATURAL RESOURCES, INCLUDING OF COURSE ITS AGRICULTURAL BASE

AS WELL AS ITS FORESTS AND DIVERSE MINERAL WEALTH.

ADDED TO THIS ARE CANADA'S RELATIVELY LARGE SUPPLIES OF ENERGY, ESPECIALLY WHEN COMPARED TO OTHER HIGHLY DEVELOPED INDUSTRIAL COUNTRIES. WE POSSESS ALL THE CURRENTLY IMPORTANT ENERGY SOURCES --- CRUDE OIL, NATURAL GAS, URANIUM, HYDRO-ELECTRIC POWER, AND COAL.

IT WOULD SEEM THAT DESPITE CURRENT PARTIAL DEPENDENCE ON FOREIGN OIL WE ARE WELL PLACED TO ENVISAGE SELF SUFFICIENCY EVEN IN THIS AREA AS WE MOVE TO THE END OF THE CENTURY, AND IN FACT WE HAVE COMMITTED OURSELVES TO ATTAIN SELF-SUFFICIENCY.

I MIGHT ALSO, AS AN ASIDE, NOTE HERE THAT WE HAVE ATTEMPTED TO SHARE OUR ENERGY RESOURCES WITH THE UNITED STATES TO THE EXTENT COMPATIBLE WITH OUR OWN GOALS OF SELF-SUFFICIENCY: ONLY LAST WEEK AUTHORIZATION WAS GIVEN FOR NEW EXPORTS TO THE U.S. OF 105.2 MILLION

CUBIC METRES OF NATURAL GAS AND FOR THE PAST NEARLY THIRTY YEARS CANADA HAS BEEN A NET EXPORTER OF ELECTRICITY TO THE UNITED STATES, WITH 1977 EXPORTS OF 17.2 MILLION KWH OR 5.5% OF TOTAL GENERATION.

CANADA HAS ALWAYS HAD A STRONG BANKING SYSTEM AND A SMOOTHLY FUNCTIONING CAPITAL MARKET OFFERING A BROAD RANGE OF FINANCIAL INSTRUMENTS AND SERVICES. OUR MAJOR FINANCIAL INSTITUTIONS ARE OF A WORLD SCALE AND CLOSELY LINKED TO INTERNATIONAL MONEY MARKETS. ACCESS TO FUNDS IS FURTHER FACILITATED BY THE ABSENCE OF RESTRICTIONS ON THE FREE FLOW OF CAPITAL. IN GENERAL, PRODUCTION IN CANADA IS SUPPORTED BY SERVICE INDUSTRIES AS MODERN AND EFFICIENT AS ANY IN THE WORLD.

UNIVERSAL ACCESS TO EDUCATION HAS PRODUCED A HIGHLY LITERATE POPULATION. THERE EXIST THE PROFESSIONAL AND TECHNICAL INSTITUTIONS THAT CREATE THE WELL EDUCATED AND HIGHLY SKILLED WORK FORCE NECESSARY FOR AN ADVANCED TECHNOLOGICAL SOCIETY. AND WE CONTINUE TO BE A SOUGHT OUT DESTINATION OF EMIGRATION AND HAVE HAD THE BENEFIT OF LABOUR AND SKILLS WHICH NEW CANADIANS HAVE ADDED TO OUR WORK FORCE.

THE CANADIAN CORPORATE TAX SYSTEM IS COMPETITIVE WITH THOSE OF OTHER LEADING INDUSTRIAL NATIONS.

IT CONTAINS SIGNIFICANT MEASURES TO ENCOURAGE SELECTED FORMS OF ECONOMIC ACTIVITY SUCH AS ACCELERATED CAPITAL COST ALLOWANCES FOR MANUFACTURING AND PROCESSING EQUIPMENT, R & D, AND POLLUTION CONTROL DEVICES AND A REGIONALLY DIFFERENTIATED INVESTMENT TAX CREDIT.

SO THERE ARE A CONSIDERABLE NUMBER OF FACTORS OF A VERY POSITIVE NATURE TO TAKE INTO ACCOUNT IN LOOKING AT CANADA'S ECONOMIC FUTURE.

ON A MORE PARTISAN NOTE, I WOULD ADD THAT CANADA NOW HAS A FEDERAL GOVERNMENT WHICH REFLECTS BUSINESS CONCERNS, WHICH IS RESPONSIVE TO BUSINESS REPRESENTATIONS, AND WHICH HAS AS ITS MAIN PRIORITY THE ESTABLISHMENT OF AN ENVIRONMENT CONDUCIVE TO BUSINESS GROWTH. AS PRIME MINISTER CLARK HAS STRESSED, THE CANADIAN GOVERNMENT IS COMMITTED TO PUTTING THE EMPHASIS FOR ECONOMIC GROWTH BACK WITH THE PRIVATE SECTOR, WHERE IT BELONGS.

I MIGHT MENTION THAT IT WAS CONCERNS SUCH AS THOSE EXPRESSED BY WILLIAM SIMON IN "A TIME FOR TRUTH" THAT PROMPTED ME TO GET INTO POLITICS. IN MY PREPARATION FOR THIS SPEECH I HAD OCCASION TO RE-READ THE WALL STREET JOURNAL SEPTEMBER EDITORIAL SERIES ON THE "SUNBELT". I WAS GRATIFIED THAT MY OWN INCLINATIONS WERE AGAIN JUSTIFIED IN ITS CONCLUSION: THAT THE MAJOR REASON FOR THE ECONOMIC GROWTH OF THE SOUTH IS POLITICAL, IN LACK OF GOVERNMENT INTERVENTION AND FREEDOM OF THE PRIVATE SECTOR TO DO THE THINGS IT DOES BEST.

THAT IS EXACTLY THE POLICY OF THE PRESENT CANADIAN GOVERNMENT.

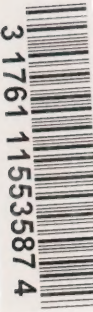
OUR IMMEDIATE INITIATIVES TO REDUCE PUBLIC SECTOR IMPACT ON THE CANADIAN ECONOMY HAVE BEEN:

- THROUGH FISCAL RESTRAINT (REDUCTION OF THE PUBLIC SECTOR SHARE OF THE CANADIAN ECONOMY)
- THROUGH DEREGULATION (REDUCTION OF THE BURDEN OF GOVERNMENT REGULATION ON CANADIAN BUSINESS)

- THROUGH REPRIVATIZATION (THE RETURN TO PRIVATE SECTOR MANAGEMENT OF THOSE ACTIVITIES NOW WITHIN GOVERNMENT WHICH CAN BE MORE EFFECTIVELY PERFORMED IN THE PRIVATE SECTOR)
- THROUGH SUCH DEVICES AS "SUNSET CLAUSES" (PERIODIC STATUTORY REVIEW TO ENSURE THAT PUBLIC SECTOR INITIATIVES DO NOT OUTLAST THEIR USEFULNESS)

IT HAS RESULTED IN WHAT WE CALL A NEW NATIONAL ECONOMIC DEVELOPMENT STRATEGY, TWO OF THE MAJOR BASES OF WHICH ARE:

- ECONOMIC PARTNERSHIP -- TO DEVELOP STRONGER WORKING RELATIONSHIPS WITH PROVINCIAL GOVERNMENTS, WITH BUSINESS AND WITH LABOUR TO ENSURE DIALOGUE AND COOPERATION IN ECONOMIC DEVELOPMENT DECISION MAKING.
- RELIANCE ON PRIVATE ENTERPRISE -- TO PLACE GREATER RELIANCE ON PRIVATE ENTERPRISE TO PROMOTE ECONOMIC DEVELOPMENT.



IN SUMMARY, AND IN CONCLUSION, THE THOUGHT THAT I WOULD LIKE TO LEAVE WITH YOU IS THAT WE ARE TWO ADJACENT ECONOMIES, THAT THERE IS A GREAT ECONOMIC POTENTIAL TO BE EXPLOITED THROUGH OUR COOPERATION, THAT AN ASPECT OF THAT COOPERATION THAT MERITS YOUR INCREASING ATTENTION IS RATIONALIZATION OF PRODUCTION INTO CANADA, AND THAT THE CANADIAN ECONOMIC ENVIRONMENT WILL BECOME INCREASINGLY SUPPORTIVE OF DECISIONS TO ESTABLISH OR INCREASE PRODUCTION IN CANADA.

I WELCOME HAVING HAD THE OPPORTUNITY OF ADDRESSING YOU TODAY AND LOOK FORWARD TO OUR FURTHER CONTACT NORTH OF THE BORDER.